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RUEHKA/AMEMBASSY DHAKA 0473  
RUEHDBU/AMEMBASSY DUSHANBE 0652  
RUEHIL/AMEMBASSY ISLAMABAD 4359  
RUEHBUL/AMEMBASSY KABUL 2651  
RUEHKT/AMEMBASSY KATHMANDU 0672  
RUEHMO/AMEMBASSY MOSCOW 7492  
RUEHNE/AMEMBASSY NEW DELHI 1308  
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TAGS: ECON ETRD PGOV PREL UZ

SUBJECT: UZBEKISTAN: WHAT'S GOOD FOR GENERAL MOTORS IS GOOD FOR UZBEKISTAN

REF: TASHKENT 493

Classified By: Pol/Econoff Robert McCutcheon for reasons 1.4 (b, d).

¶1. (C) SUMMARY. General Motors (GM) is poised for a dramatic expansion of its operations in Uzbekistan with the building of casting and engine plants. Negotiations with the GOU are proceeding well, and there is hope that final agreement will be reached before the end of the summer. END SUMMARY

¶2. (C) On June 25-26 Michael Arcamone, Vice President of General Motors (GM) Powertrain Europe, led a delegation to negotiate an agreement to build casting and engine plants in Uzbekistan. Prior to beginning negotiations with First Deputy PM Azimov, Arcamone met with the Ambassador to explain GM's intentions and to obtain the Ambassador's insights on the business climate in Uzbekistan.

¶3. (C) According to Arcamone, the GM casting and engine plants will dwarf GM's assembly operations in Asaka that began earlier this year. (COMMENT: The assembly plant in Asaka was built in the mid-1990s by the Korean Daewoo Corporation. Daewoo was acquired by GM in 2005. END COMMENT) "This is big," Arcamone said. The engine plant will supply both the Asaka facility and other GM plants outside Uzbekistan, primarily Russia, and will produce 150,000 engines per year. The plants will employ 600 workers directly in manufacturing and another 300-400 in support jobs. Arcamone continued that he expects there will be an employment multiplier effect as GM suppliers set up operations in Uzbekistan. Arcamone said Uzbekistan is serious about wanting to develop its automotive industry and is offering to invest 300 million USD of its own money as well as offer GM interest-free financing.

¶4. (C) Arcamone said GM hopes to negotiate 75% ownership of the new plants. In contrast, GM currently owns only 25% of the stock in its Asaka assembly plant joint venture with Uzavtosanoat. Arcamone said the engine plant would allow it to double the capacity of the Asaka facility, which would no longer have to import engines from GM plants outside Uzbekistan.

¶4. (C) Arcamone was clearly concerned when the Ambassador

told him about recent presidential decrees that have the potential to eviscerate Uzbekistan's anti-money laundering legislation and have left Uzbekistan open to possible action by the Financial Action Task Force (FATF) and under provision 311 of the U.S. Patriot Act (reftel). Arcamone said he would raise this with Azimov. He continued that he would stress that GM wants to be a good corporate citizen and would demand that no one be relocated from the proposed plant sites without full compensation.

¶5. (C) Jean Wibaut, Manager for EU Affairs in GM Europe, reported to us on July 7 that after two days of lengthy discussions, Arcamone and his team had reached a non-binding agreement in principle with First Deputy PM Azimov and representatives from Uzavtosanoat. Based on this preliminary agreement, GM corporate headquarters has given the go ahead to continue negotiations through the summer. Wibaut said he the next round could take place before the end of July. This positive assessment was echoed by Azimov, who told the Ambassador at Embassy Tashkent's Fourth of July reception that he expected the negotiations to produce positive results by October.

NORLAND